

Copy for:

Frederick
(Kinney)
E. Tamm
Whelan
Pavese
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Ester
Following

Please review
and be prepared to
discuss. 11/8



OFFICE OF THE GOVERNOR
INDIANAPOLIS, INDIANA 46204-2797

FRANK O'BANNON
GOVERNOR

November 4, 1999

OTES - IAW panel
RA file
prepare for RAB
signature

due 11/13/99
#1299
U.S. DEPT. OF LABOR
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RECEIVED

Mr. Byron Zuidema
Regional Administrator
Employment and Training Administration
230 South Dearborn Street
Chicago, Illinois 60604

Dear Mr. Zuidema:

I am pleased to submit Indiana's request for waivers to the Workforce Investment Act for Program Years 1999-2004. The enclosed document describes our overall goals and objectives for workforce development to establish a context for the waivers.

We appreciate the opportunity to tailor workforce investment resources to more closely meet Indiana's needs. It is still very early in the implementation process. As we learn more about how the new Act affects services to Hoosiers, additional waivers may be requested. We realize that the U.S. Department of Labor has not yet finalized the regulations and performance measurements, which makes early implementation more challenging at federal, state and local levels. Your approval of these waivers will provide a greater chance of success for the new concepts embodied in the law.

Thank you for your consideration of this request. I look forward to Indiana and your Department engaging in a dialogue about the waivers before your response is finalized. Please contact Commissioner Craig Hartzler at 317-233-5661 with any questions regarding this request. Together, we can find opportunities within the law and regulations to best meet the needs of Hoosier families.

Sincerely,

Frank O'Bannon

Frank O'Bannon

Enclosures: Waiver Request
State Memorandum of Agreement
Updated Agency Performance Plan
Comments Received

STATE OF INDIANA

Workforce Investment Act Waiver Request for Program Years 1999-2004

Section 1: State and Local Goals

The Department of Workforce Development (DWD) was established by Executive Order in 1991, bringing together into a single state agency the operational departments of the Employment Service, Unemployment Insurance, Job Training Partnership Act, Workforce Literacy, and Vocational and Technical Education. The General Assembly reaffirmed the establishment of DWD with passage of legislation in 1994, defining DWD as "the sole agency to plan, coordinate, implement, monitor, and make recommendations regarding initiatives designed to prepare Indiana's workforce for effective participation in the competitive and global economy" (I.C. 22-4.1-2-1). As the agency with primary responsibility for workforce development in Indiana, DWD plays a lead role in preparing businesses and workers to meet the demands of the 21st century.

The national and state economies have been changing throughout the existence of DWD and its predecessor agencies. High unemployment characterized the years during which much of the legislation which funds DWD was passed. Lately, however, Indiana has been enjoying an unprecedented low unemployment rate. Policies established during high unemployment have been re-examined. Our competitiveness in the next decade and beyond will be determined by our ability to sustain a rising standard of living for Hoosiers. We must look beyond labor exchange and pre-hire worker preparation and concentrate on the skill needs of its 3 million incumbent workers. Although disadvantaged Hoosiers, dislocated workers, and students will continue to be targeted for skill development, we will increasingly turn our attention to the incumbent workforce, with the objectives of increasing skills and productivity, increasing private and personal investments in lifelong learning, and increasing productivity of Indiana's businesses.

The Indiana Department of Workforce Development (DWD) is committed to building a user-friendly system that will help Hoosiers bridge the skills gap and maximize their earning potential. The system will be sensitive to the changing demands of the workplace and include employers as partners in the design of skills standards and building of the future workforce. No single program or agency can address this task alone. DWD will work closely with the Department of Education, Department of Commerce, Family and Social Services Administration, organized labor, the private sector, local partners (including schools and Workforce Investment Boards), and others to ensure all our customers (students, incumbent workers, job seekers, and employers) have access to the resources they need for lifelong learning.

VISION

Indiana will have the most qualified high performance workers in the nation and the most user-friendly public-private system for customers (students, workers, and employers) to access the resources they need for lifelong learning and training.

MISSION

Lifelong Learning for Hoosiers.

AGENCY OBJECTIVES

Quantified objectives for each area below may be found in the appendix.

- **Development of the Incumbent Workforce**

The majority of individuals who will be working in the year 2010 are working today, and many do not take advantage of lifelong learning opportunities. If we are to ensure Indiana's competitive position and future economic growth, we must help our current workers develop the skills they need to prosper in the years ahead.

- **Development of the Future and Potential Workforce**

Employers are experiencing increased difficulties recruiting qualified workers. A low unemployment rate means less labor availability. Those who are available for entry level work may lack the skills necessary to succeed. Large numbers of skilled workers in many industries are nearing retirement age. DWD will develop the future workforce through school-to-work initiatives, including technical education, alternative education programs for students unable to benefit from traditional school environments, and work-based learning opportunities for all students. The potential workforce includes public assistance recipients, individuals with disabilities, underemployed individuals looking to move into higher skilled careers, and graduates of postsecondary education who may leave the state. DWD has many partners in this effort, including Family and Social Services Administration, Department of Education, Department of Commerce, the Professional Standards Board, and the Commission on Higher Education.

- **Increased Effectiveness and Efficiency**

In addition to measuring our progress on achieving strategic goals, DWD will increase its effectiveness and efficiency. Many of DWD's funding sources have either declined or held steady over the past several years (holding steady while the cost of doing business

increases is equivalent to a funding decrease), yet we continue to set challenging goals for ourselves without increasing staff numbers.

The number of labor market intermediaries is increasing. Public entities add value by providing access to quality information. One-stop centers will become community resource centers whose value to the public will be demonstrated by increased usage. Work-centered "demand side strategies" reflect the growing consensus that the workforce system needs to move beyond job placement to include on-going skill development and career progression.

The waivers sought by Indiana support will help us meet our objectives. The essential principles against which workgroup members weighed each request are:

- **Increased access to services.**
A comprehensive workforce development system must be able to address the needs of a broad spectrum of users. Universal access is one of the key principles of the one-stop system.
- **Development of a seamless, coherent workforce development system.**
A collection of programs gathered under one roof does not make a "system." Customers must be able to flow easily between funding sources and services without disruption of their lifelong learning plan. Case managers should be able to assemble services on behalf of an individual without having to juggle conflicting eligibility guides, allowable services, and outcome expectations based on the customer's demographics rather than his/her needs.
- **Improved accountability.**
Performance measures should reflect the quality of training received and the increase in skills and earning power of the individual. There are many other factors unrelated to service interventions that are allowed to impact measures of effectiveness, thus giving an inaccurate picture of the system.
- **Skill building for incumbent workers.**
A job placement should not be the end of learning. A workforce development system must be able to help workers maximize their full potential.
- **Long term retention in employment.**
Particularly for welfare clients, the workforce development system needs to ensure that participants are prepared for permanent self-sufficiency
- **Customer choice and empowerment.**
Customer choice is another key principle of the Workforce Investment Act. In Indiana, we have added "empowerment." Through vouchers, consumer reports, assessment, counseling, and other services, we want to put as much information in the hands of the customer as possible to enable him/her to make intelligent choices about the future.

- **Smaller/smarter government.**

Indiana is committed to using technology to improve the efficiency of state operations. Additionally, we want to minimize unnecessary administrative actions that absorb resources without adding value or improving outcomes.

- **Improved coordination.**

Fragmentation may be reduced if programs and resources are allowed to support common goals. Many of our waiver requests target barriers that keep service providers from collaborating on behalf of customers.

- **Demand-side strategies/work first.**

In today's economy we no longer have time to train participants for two years before getting them a job. The jobs are there. The demand for workers is there. Most people learn better on a job than in a classroom. We must remove the barriers that keep us from placing participants into the workplace and then continuing their skill building post-hire.

Section II: Summary of Waiver Requests

Youth, Dislocated Worker, and Adult Program Waivers

1. Waiver:

Permit exclusion of Social Security Disability Income (SSDI) as Family Income.

The Department of Labor granted a four-year waiver effective from the date of the August 4, 1997 waiver approval letter. Indiana proposes to retain this waiver through program year 2004. This waiver will aid in youth eligibility determinations as well as establishing priorities among adults, when appropriate.

2. Waiver:

Exclude work-based learning wages from the Definition of Family Income.

Objective:

Development of the future workforce.

Principles:

Increased access; improved coordination.

- Barrier: Some youth may be excluded from eligibility for WIA due to wages earned under paid work-based learning activities through school-to-work programs. Access to services is compromised, as is coordination between WIA and school-to-work activities funded by schools.

There are two specific goals for this waiver. The first goal is to increase access to WIA youth programs. Currently, youth who elect to participate in a high school's work-based learning program may experience problems in becoming eligible for a WIA funded youth program since any wages are counted as income. Since work-based learning is really a training program at the high school level, counting these wages as income makes no real sense. All other eligibility criteria for youth would be met. The second goal of this waiver will be to facilitate coordination with state and local school to work efforts. Work-based learning is an effective school to work activity for many young people. Approval of this waiver will allow these two programs to work more closely together.

- Specific Statutory/Regulatory Requirement to be Waived:

Section 101(25).

- Expected Benefit of Waiver:

The programmatic outcome desired from this waiver is to increase the quality of learning opportunities for young people engaged in school to work activities. Removal of a barrier to closer coordination of work-based learning programs and

WIA youth programs at the local level will accomplish this. The primary impact will be on the young people that might have been denied access to WIA youth services because of their participation in a work-based learning at the high school level. If this waiver is approved, these young people will be better prepared for work or continued education after high school.

3. Waiver:

Utilize the 25% rapid response set-aside for supplementing funds for intensive services and training in local areas.

Objective:

Development of the incumbent workforce.

Principle:

Increased access to services.

- **Barrier:** Limitations on the use of the 25% set aside for rapid response restricts how the state may respond to lay-offs.

Local formula dislocated worker allocations may be insufficient to meet the need when a large lay-off occurs. The Governor's 25% setaside for rapid response is limited to the activities described in 665.310 and 665.320 of the interim regulations. There may be a time delay in obtaining National Emergency Grant (NEG) funds to pay for more intensive registered services. Greater flexibility in the use of the 25% rapid response set-aside would ensure the state can utilize its resources as necessary to meet the needs of our customers. Indiana proposes that permissible uses of the 25% setaside include all allowable dislocated worker services, although the majority will be spent on rapid response and early intervention activities and our state policy is to require local entities to apply for NEG whenever appropriate. Many of Indiana's low-skill, high wage manufacturing workers will not be able to replace their prior wages with rapid response and core services alone. Skill training will be necessary to help them achieve an income as close as possible to their pre-layoff wage.

- **Specific Statutory/Regulatory Requirement to be Waived:**

Section 101(38) and 665.310 and 665.320 of the interim regulations.

- **Expected Benefit of Waiver:**

Increased flexibility of the state to respond to its citizens.

4. Waiver:

Change the definition of "school dropout" to include individuals enrolled in alternative education.

Objective:

Development of the future and potential workforce.

Principle:

Increased access to services; improved coordination.

- **Barrier:** students in alternative education who are no longer a part of the mainstream K-12 education system may not be served as out of school youth, thus limiting their access to WIA services.

Indiana has a history of coordination with school-to-work programs through innovative uses of the JTPA 8% setaside. Relationships have been established with schools that benefit youth who would otherwise enter the second chance systems. Prevention is always preferable to treatment at the "back end." Forcing these youth to wait until they entirely drop out of school may cause them to fall through the proverbial cracks. Youth in alternative education are not "in school" in the same way other youth are. They have been placed there because of their unique risk factors and retention is a daily challenge. Even upon graduation, their risk factors do not end. Allowing WIA entities to initiate a relationship with the student while enrolled in alternative education not only provides the additional resources needed to provide quality work-based learning and mentoring for these youth, but also sets up a continuity of service between in and out of school experiences. We do not believe that this waiver request represents a change in eligibility criteria. It is only a waiver to the definition of school dropout. Eligibility will still be tied to the criteria of "school dropout" for out of school youth.

- **Specific Statutory/Regulatory Requirement to be Waived:**

Section 101(39) and 664.310

- **Expected Benefit of Waiver:**

Increased numbers of high-risk youth who may be served through WIA resources at an earlier point in their development. Continuity of care for some of the neediest members of the youth population.

5. Waiver:

Permit Individual Training Accounts (ITAs) to be used for out of school youth participants.

Objective:

Development of the future workforce.

Principles:

Increased efficiency and customer choice.

- Barrier: ITAs are not permitted for youth participants

Youth may only utilize an ITA if they are co-registered in the adult program. Co-registration produces unnecessary paperwork. The allowable service is the same; requiring additional registration has no value to either the program or the customer.

- Specific Statutory/Regulatory Requirement to be Waived:

664.510.

- Expected Benefit of Waiver:

One-stop operators will be able to provide appropriate services to out of school youth who can benefit from such services without having to register the youth in the adult program and track resources separately for each funding stream.

Administrative Waivers

I. Waiver:

Raise the limit for administrative costs for the program.

Objective:

Increased effectiveness.

Principle:

Development of seamless, coherent system.

- Barrier: the administrative cost limitation has been demonstrated to be unrealistic.

The Department of Labor is currently reviewing the records of 10 entities around the country comparing their administrative costs under JTPA with the new definition of administration contained in the interim regulations. The Northeast Indiana Workforce Service Area was included in this review. Reviewers concluded that even using the more liberal definition of administration under WIA, 18.57% of the organization's costs would have still been classified as administration. The success of WIA will be largely dependent on the success of the WIBs in carrying out their responsibilities, which are greater than those under JTPA. Developing eligible training provider lists, planning for comprehensive systems that include partner resources, negotiating MOUs, implementing continuous improvement practices, increased reporting requirements, monitoring larger numbers of providers, and other activities must be done *well*, not just in minimal compliance with the law. Additionally, the goal of truly separating WIB

staff from service delivery staff will be more difficult to achieve since one staff person can not perform in two capacities and thus divide how he/she charges time.

Indiana proposes two alternatives:

- a. The administrative cost limit be raised to 15% for all WIBs, and to 20% for WIBs that totally separate board staff from service delivery staff in order to encourage the establishment of independent boards.
- b. The definition of administrative costs be confined to WIB activities, while all activities at the one-stop operator level be defined as program costs. We will pursue a way to provide incentives for independent boards within this option if approved.

- Specific Statutory/Regulatory Requirement to be Waived:

Section 128(b)(4) and 20 CFR 667.210(a)(2) and 667.220(b).

- Expected Benefit of Waiver:

Encouragement to local WIBs to become fully independent of operations and thus provide independent oversight of the system. This will give the boards greater credibility with partners and increase accountability of operations. A larger percentage of administrative dollars will also permit boards to function as Congress intended, thus helping ensure the success of WIA.

2.

Waiver:

Utilize state-based performance measures.

Objective:

Increased effectiveness and efficiency.

Principles:

Smaller and smarter government, developing a coherent workforce system.

- Barrier: 18 core measures that are incomprehensible to the general public and policy makers and which drive a very small funding source to manipulate who gets served. Additionally, there are significant problems associated with using UI wage data for accurate outcome data.

Indiana intends to utilize a comprehensive approach to service delivery under the One-Stop philosophy. Rather than restricting our service providers to outcome measurements that are tied to specific funding sources, we propose a broad-based strategy that reflects the overarching goals of our workforce development system. We propose SYSTEM measures, not WIA measures.

There are **three fundamental goals** in Indiana's workforce development system. They are: satisfied customers, increased earnings and increased skills. Our goals

for PY '99 are articulated by the following performance objectives:

- 1) Customer satisfaction of clients and employers (as measured by a survey, and expressed as a percentage of those who rated us above average or excellent. Over half will rate us above average or excellent.)
- 2) Number of individuals we assist who experience earnings gains (expressed as a hard number and measured by UI wage records. 140,000 assisted by the one-stop system will have earnings gains. Each region will be assigned a part of that based on its relative share of the population. This will be tracked through Indiana's Customer Self-Service System (CS3), because all the partners will be utilizing CS3.
- 3) Number of individuals we assist who acquire skills credentials (again, a hard number, and measured by recorded attainments of GEDs, Certificates of Technical Achievement, Degrees, diplomas, other recognized credentials. All partners could report into the regional total by whatever tracking mechanism they use. At least 2,000 citizens will have documentable skill increases.

We propose to use the above in place of the USDOL measures for PY 99 and PY 00, or until federal measures can be defined which are accurately measurable and do not drive local strategies which are adverse to our vision or which restrict full service provision to certain individuals.

- Specific Statutory/Regulatory Requirement to be Waived:

20 CFR 667.300(a)

- Expected Benefit of Waiver:

We firmly believe that such measures could give credibility to the public system by the very nature of their ease of understanding and their application across programs. This is recognizable progress in workforce improvement. We are willing to discuss other alternative measures in addition to the state defined system measures.

Section III: Impact of Waivers/Outcomes and Performance Targets

Consistent with the spirit of WIA, DWD will negotiate performance expectations associated with these waivers with DOL.

Section IV: State and Local Workforce Service Areas' Actions to Remove Barriers

Indiana modified policies as necessary to implement waivers in PY 98. For new waivers approved in PY 99, the Department of Workforce Development will examine all state policies

and modify them accordingly. This will include policies regarding performance standards, eligibility, cost reporting, et. al. As evidence of the state's willingness to meet the needs of local entities in designing systems that work, local elected officials have been given the opportunity to propose greater integration of resources at the local level. The State Human Resource Investment Council (Indiana's State Workforce Investment Board) and the state agencies responsible for partner resources have agreed to be maximally flexible and supportive in assisting regions to meet their goals for establishing seamless systems at the local level. The state level Memorandum of Understanding is enclosed.

Section V: Comments Process

The invitation to participate on the waiver workgroup was extended to all members of the state substeering committee (which includes state level representatives from all partner resources), WIB directors, DWD program directors, AFSCME, Unity, the AFL-CIO, and the SHRIC in addition to in-house units of DWD.

The draft waiver document was:

- Posted on the Internet homepage of the Department of Workforce Development. The review period ran the week of 10/04/99. Local news media were made aware of the posting.
- Sent for review and comment to the leaders of the State Senate and House of Representatives, State Steering and Substeering Committees, AFL-CIO, AFSCME, Unity Team, State Human Resource Investment Council, Indiana Association of Rehabilitation Facilities, WIB Directors, WIB Chairs, Chief Elected Officials, Program Directors and Local Office Managers of the Department of Workforce Development, and the Region V office of the Department of Labor.

Notice about the availability of the document on the website and in hard copy at local offices was sent by the WIB Directors to:

- Step Ahead Councils
- Local Planning Councils
- Local Labor Councils
- Local Chambers of Commerce
- Mental Health Agencies
- Rehabilitation Agencies

Section VI: Monitoring

Upon approval of waivers, the Department of Workforce Development will issue a menu of

approved waivers from which WIBs may select. DWD is open to negotiation with the Department of Labor to achieve a statewide performance improvement.

Indiana will monitor implementation and impact of the waivers through a combination of reporting from the local level and state oversight and evaluation. Performance measures from the WSAs will be evaluated at least quarterly to determine impact. Through the WSAs' Operations Forum and meetings of the WIB Directors, DWD will seek feedback on use, problems, and successes. The forums will allow sharing of best practices in taking the greatest advantage of opportunities offered by the waivers. DWD will include monitoring of use of the waivers in its routine desk top reviews and on-site monitoring.

ncb:g:wp/waivers.99

Memo

To: Nina Babich
From: Charles Roche
Subject: Comments on waiver request
Date: September 29, 1999
CC: IITA

I'd like to comment on your memo of 9/20/99 regarding a request for waivers from DOL for WIA.

In Section II: Summary of Waiver Requests we concur with Waivers 1, 2, 3, 4, and 6, in the Youth, Dislocated Worker, and Adult Program Waivers.

Waiver 5 in this section should include a commitment from the state to provide the WIBs with a role in monitoring the level of coordination and cooperation provided to this effort by the School to Work councils and the LEAs in terms of the use of state remediation funds for secondary schools. If this is not done, then WIA is left standing alone in a commitment to meet the needs of these youth. It is evident on its face that the funds available from WIA are woefully inadequate to provide the WIBs with the tools they need to address the problems of this population. There should be no expectation of increased service levels to youth so long as that expectation is based upon the availability of existing WIA resources.

In the Administrative Waivers the request for Waiver 1 goes to the heart of the legislation. While we concur with the position that there are too many members on the WIB for it to be effective, we do not believe the mandated partners should be excused from the table. It should be left to the WIB and LEOs to execute the MOUs which in turn will determine the level of participation in other activities. This waiver would allow many of the mandated partners off the hook should they maintain that they cannot contribute their share to support of the system. We will wind up with having only the old JTPA program partners and DWD co-located without any system development taking place.

In addition, the state has, through its legislative process, mandated even more partners to the WIB through the Incumbent Worker Councils and high percentages of required labor representation. None of these individuals represent entities that are going to support the maintenance of the system over the long haul. The Incumbent Worker Councils in fact constitute an additional drain on WIB resources due to the staff time/overhead to support their efforts.

The waiver should be re-written to state that all mandated partners will *not* be voting members of the WIB. The only voting members should be the private sector business and labor representatives.

Nina Babich

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CBOs, state and local program representatives, et. al., are simply vendors looking for support. They should not be allowed to vote on issues being considered by the Workforce Investment Board.

It is worth restating that the state has neglected to mandate to any of the one stop partners under its direct control that they will financially support the one stop system or the activities of the WIB and LEOs in management of the system.

Waiver 2 is simply another attempt to force a separation between the staff to the board and the program staff. It is attempting to fix a problem that doesn't exist. If the state were truly serious and honest about the need to have program staff separate from the policy board it would divest itself of the entire DWD program delivery sections including the employment service, unemployment insurance, all veterans employment programs, and all other programs not directly associated with the program administration. In addition, the program services section of such agencies as FSSA through its Division of Family and Children would be similarly privatized and brought into the one stop system.

Unless and until the state is willing to recognize that the manner in which they merge policy (the governor), administration (the commissioner), and programs (local office system) is no different from the merging of WIB staff and program staff under WIA such a waiver request is contradictory to demonstrated state policy.

Beyond that, there is no justification, financially, for the differentiation contained within the waiver request. Administrative costs are administrative costs and its difficult to see how it would be more expensive under one system than the other.

It is also troubling that the state would request this waiver while postponing the development of the criteria for testing the independence of the board staff from program staff. Until such criteria is proposed no waiver request should be considered in as much as the criteria itself may pose a conflict with the law, rules, or regulations.

In as much as the WIB is going to have to develop a plan for continuous improvement, it stands to reason there will be strong efforts toward judging customer satisfaction. It is lowering the bar significantly to say that only half will judge us average or excellent. Any business must have far more than half it's customers satisfied if it expects to remain viable in the market place. Where is the bench mark? Against whom are we measuring ourselves?

Measurement of earnings gains is a dangerous game to play. If anything will drive the use of WIA funds toward those hardest to serve this would appear to do it. Why enroll a working person in need of training to upgrade in the labor force where the wage gain might be measured in cents per hour, when an unemployed economically disadvantaged customer's wage gain will be in the dollars per hour. A minor point but one worth considering. Again, who is being measured? Just WIA or the entire system?

Nina Babich

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It must be noted also, that not all partners are using the CS3 system due to access problems, among other things. It doesn't appear that either Vocational Rehabilitation nor the Migrant and Seasonal Farmworkers either one will be using the system anytime in the near future because of policy decisions not related to access. While FSSA is not part of the system, they have a totally separate tracking system for their clients, many of whom are sometimes served by other programs.

The use of acquiring skill credentials as a measure of performance needs additional study. It is still not clear what entity will determine what constitutes an acceptable "recognized credential". I would submit it should be a decision made by the WIB, if it is to be approved as a waived standard. It is my understanding WIB recognized credentials will need to be included in the WIA plan and subsequently approved by DWD. There does appear to have been limited consultation with the WIBs regarding those credentials the state has determined as acceptable.

It should be made clear that since these performance measures are part of a one stop system, just what will be the role of the WIB in judging the performance of the one stop system, not just the WIA partner in the system. There should be an expansion of this request to include just what other performance measures will be used by the WIB to measure all the partners. If not, then we are not dealing with a coherent workforce system; we are only dealing with WIA. That, in turn, puts us back into the JTPA/PIC mode of thinking.

Section IV: State and Local Workforce Service Areas' * Actions to Remove Barriers should be expanded to state just what requirements are imposed upon local elected officials in order to have their proposals for such flexible arrangements considered.

Section IV: Monitoring suggests that the state is willing to negotiate with DOL to mandate acceptance of these waivers by the WSAs* *without consultation with local elected officials or workforce investment boards.*

In any event, thank you for the chance to share my thoughts with you. Please bear in mind my motivation for generation of these comments was to work cooperatively with you to insure Indiana has the best system possible under the conditions.

It is my opinion that Indiana has made significant progress toward implementation of the WIA. I know that there has been the necessity for an accelerated implementation process and that the waiver request is, in part, victim of that. I congratulate you and your team members at DWD for the tremendous, positive effort you have made to make WIA a success.

Nina Babich

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September 9, 1999

***Indiana has elected to refer to the workforce investment areas identified in the Workforce Investment Act as workforce service areas.**

10/11/99 17:37 FAX 317 638 1217

INDIANA STATE AFL CIO

**Indiana State AFL-CIO
LABOR
INSTITUTE
FOR
TRAINING, Inc.**

L.I.F.T. Officers

Kenneth J. Zeller, President
Kenneth A. Keown, Secretary-Treasurer
Joanne M. Sanders, Director

October 11, 1999

Mrs. Nina Babich
Department of Workforce Development
Indiana Government Center South
10 North Senate Avenue
Indianapolis, IN 46204-2277
Fax (317)233-6081

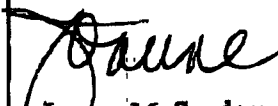
Dear Mrs. Babich:

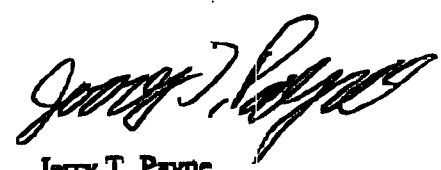
Enclosed you will find an outline of some of the concerns that labor has with the waiver requests that are being submitted by the state to the Department of Labor.

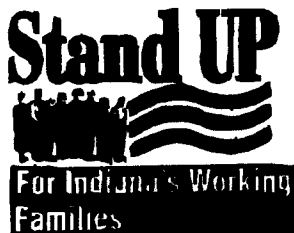
This is in response to the Department of Workforce Development's web-site announcement that comments would be accepted through October 11, 1999.

Thank you for the opportunity to provide comments. We look forward to the conclusion of these requests by the Department of Labor and to another fruitful year in helping to build a more productive Indiana workforce.

Sincerely,


Joanne M. Sanders
Director, LIFT


Jerry T. Payne
Secretary-Treasurer
IN AFL-CIO



1701 West 18th Street
Indianapolis, IN 46202
Phone: 317/632-9147
FAX: 317/638-1217



10/11/99 17:37 FAX 317 638 1217

INDIANA STATE AFL CIO

Section I: State and Local Goals

AGENCY OBJECTIVES

Increased Effectiveness and Efficiency

In the draft document of waiver requests there was a paragraph that referred to Wagner-Peyser. It said, *"Since labor exchange occurs (publicly and privately) across Indiana in a number of ways, and since historically the job openings filled by the employment service are primarily lower skilled and lower paying jobs, the best use of Wagner-Peyser funded services in Indiana is to provide access to information. Local DWD offices will become community resource centers whose value to the public will be demonstrated by increased usage. Work-centered "demand side strategies" promoted by the National Governors' Association and embraced by Indiana reflect the growing consensus that the workforce development system needs to move beyond job placement to include ongoing skill development and career progression."* Under a "workfirst" philosophy the continuation of skill development and career progression must be a priority.

Long term retention in employment

The draft document referred to "Employment at 13 weeks is not truly indicative of long term retention and self-sufficiency." The state's objective should include a time frame that they feel is truly indicative of allowing someone enrolled to become self-sufficient. We believe that would be approximately one year but recognizing program constraints maybe six to nine months is a more operational time frame.

Section II: Summary of Waiver Requests

Youth, Dislocated Worker, and Adult Program Waivers

4. 25% Rapid Response set-aside

In your waiver request, you want to supplement intensive services and training services under the objective of developing an incumbent workforce with the principle being increased access. Past precedence for program administrators (who have all been grand-fathered into WSAAs) is not to go after federal funds/National Reserve Grants when needed for several individual/different reasons. We believe that once WIBS become more knowledgeable about WIA, and what is now National Emergency Grants (NEG), they will encourage program operators to go after these supplemental funds. If program operators are able to access the 25% set-aside they will never do the extra work necessary to go after a NEG.

If this money is opened up to be used by program operators, the usage should be strictly for training and not intensive services. This would elevate the chances that the money would be used on a service that would likely improve the individuals self-sufficiency. On the other hand, if the money can be used for intensive services everything could be used on staff "labor intensive" efforts and the client remain in the same job making the same wage. Some operators may look at this money as a way to make up for the budget cuts that everyone has experienced which would compromise services.

Although the state has attempted to protect services to dislocated workers by strengthening language from the draft document by adding the statement "although the majority will be spent on rapid response and early intervention activities", this is so vague that it would not protect the services, which is in the spirit of the law, to dislocated workers. The statement that says, "Indiana

proposes that permissible uses of the 25% set-aside include all allowable dislocated worker services" should be replaced to state that set-aside include only training to dislocated workers and shall not exceed 15% of budgeted funds.

6. Waiver to permit out of school youths to use ITAs.

What guidance would youth participants be given to encourage judicious use of the ITA? Would the same restrictions be imposed on them as are on adults; i.e. "short term" training and "workfirst"?

Administrative Waivers

1. Waiver to permit state to define the level of participation that constitutes a "partner" in the one-stop system.

First the document describes a barrier as the WIBs being too large therefore not capable of being effective and efficient. If the law intended for the state to define partners then why did federal law mandate partners? Surely research was done to the appropriateness of what constitutes a "partner". The spirit of the law is to create an umbrella where all human services may be found. In order to do this, it will always involve several agencies and interested parties. This is a decision that should be made locally by the WIB in the first place, based on the agencies funding allotments. Therefore, the federal law has already created smaller, smarter government. Lets use HUD as an example as the waiver request does. Although some HUD programs/partners may not have applicable core services to be provided immediately, would it not be in our clients' best interest to work towards an integrated system where the mandatory partner brings their resources under the umbrella? Using HUD as an example again, housing is a very important issue for the Welfare To Work client which may make the difference for a client's ability to become self-sufficient. Using HUD as an example again, lets consider that the employment and training dollars that are given to HUD are used to pay tenants' wages to rebuild HUD homes. Then possibly denying traditional Indiana construction employment, while creating only temporary employment for HUD recipients and therefore not be an efficient use of tax payers' money. This leaves one to wonder if making them a mandatory partner would alleviate some of this possible waste of tax payers hard earned money and work towards a more efficient use of the HUD programs that do receive employment and training funds.

In the draft Expected Benefit Waiver you originally stated in the first sentence, "Administrative time will not be expended on developing minimalist agreements to address the letter of the law that do not contribute to actually serving customers better." In the final document you left out the section bolded. Do we infer that the state feels that if a partner does not have monetary benefits to offer you do not view them as contributing to serving customers better. Lets look at HUD as an example again. If I can not afford housing when I am placed in a low wage job the housing opportunities that may be provided by HUD most certainly does provide a better customer service. The state suggests that this would encourage partners to seek ways to provide full-time access to applicable core services in order to gain voting status on the WIB. We disagree and believe it may even alienate them to not participate in a truly integrated system.

2. Waiver to raise the limits for administrative costs for the program.

Referring to the 18.57% of an organizations cost going to admin, what was the measurable outcome of such distribution?

If the state supports true separation of the WIB then they should not be asking for administrative increases. They should be working with the WIBs to have some of the current admin money

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distributed to the WIB instead of the program operators. Everyone is concerned that the WIA created combined programs in an effort to create a seamless, coherent system yet did not combine their separate funding streams. Our goal should be to bring the partners resources to the table, not to increase admin to make up for shortfalls due to less money received because we are experiencing a good economy. When all partners have legally figured out what their financial commitment is and it is combined with the current admin levels this should reflect an amount that is feasible. Given the current business climate and the initiatives to make this system a system that will be used by state of the art employers, the state should be encouraging private investment by employers as a way of supporting the system also.

If operators can not survive on the current distribution decreases what will they do when funding is decreased even more due to the lack of "hold harmless" provisions in the federal legislation?

Alternative A - There is nothing wrong with offering incentives to separate service delivery staff from the WIB. We believe this funding should go directly to the WIB and not in the form of admin increases to the service delivery staff.

Alternative B - This option is even more paradoxical given the fact that the WIBs are currently not totally separated in operations and not receiving any money to go towards the time volunteered.

These options appear to be an effort to maintain the status quo instead of system integration.

3. Waiver to utilize state-based performance measures.

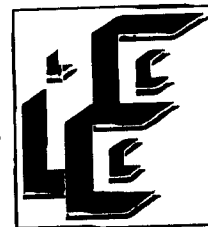
The state identifies the barrier as 17 core measures that are incomprehensible and which drive a very small funding source to manipulate who gets served.

Eliminating federal performance measures would create a particular concern for the workers referred to as low skill and high wage, who represent a sizable portion of Indiana's dislocated workers, in the request to waive usage rules for the Rapid Response 25% set-aside. The three fundamental overarching goals of customer satisfaction, increased earnings and increased skills are enterprising and will separate Indiana from other states. It may even offer Indiana the opportunity to be eligible for incentive awards however they should not replace the federal performance measures. All financial, participant, and performance data should be gathered in accordance to the DOL, along with Indiana specific goals of customer satisfaction, increased earnings and increased skills.

Section VI: Monitoring

In the draft document the state proposed the following: Upon approval of waivers, the Department of Workforce Development will issue a menu of approved waivers from which WIBs may select. *WSAs will agree to performance outcomes in return for use of the waiver.* The sentence that is italicized was removed. Why was this taken out when it institutes the course in which a direct outcome would be achieved.

Indiana
Chamber of
Commerce



The Voice of Indiana Business

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October 8, 1999

Mr. Craig E. Hartzer
Commissioner
Indiana Department of Workforce Development
Government Center South
10 North Senate Avenue
Indianapolis, Indiana 46204-2277

Dear Craig:

The Indiana Chamber of Commerce has reviewed your Department's proposed waiver request for the Workforce Investment Act (WIA). From our review we have a few questions and concerns regarding potential waiver requests to the United States Department of Labor. We are particularly concerned that too many waiver requests could potentially change the intent of the WIA and its effectiveness in Indiana.

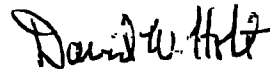
The following are examples:

- Permitting Individual Training Accounts (ITAs) to be used for out of school youth. We believe the intent of WIA is to assist adult workers, not youth. Expanding the eligibility to include youth could dilute program funds and, in turn, program effectiveness relative to the target population.
- Permitting the state to define the level of participation that constitutes "partner" in the one-stop system. This waiver would give the state power over the local WIB by determining the level of partnership and voting membership. We believe the intent of WIA is to give the local WIB this authority.
- Raising the limit for administrative costs for the program. This waiver would allow a new level of bureaucracy by allowing additional staff and channeling funds away from direct program activities. Again, the intent of WIA is to give the local WIB members authority, not create more administrative staff positions.
- Changing the definition of school dropout to include individuals enrolled in alternative education. Alternative education youth already have access to the K-12 system. The proposed waiver would put an additional burden on WIA services. The intent of WIA was to assist the most vulnerable adults, not individuals currently being assisted through the K-12 system. This waiver would further dilute available funds to assist adult workers.

We would welcome the opportunity to discuss these issues and concerns with you and your staff. We are presently planning to forward these concerns to the Department of Labor and will monitor the progress of the waiver request. We look forward to working with you to ensure that the intent of WIA is solidified into law.

If you have any questions, please contact me at (317) 264-6883. I would be happy to facilitate a discussion with your Department on these issues.

Sincerely,



David W. Holt
Director, Education Policy &
Congressional Affairs